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24th June 93

The Hon Minister of Foreign Affairs
Office of the Hon Minister of Foreign
Affairs
Ministry of Foreign Affairs
Tokyo
JAPAN

Honorable Sir

EXTENSION OF GOVERNMENT OF JAPAN'S STRATEGIC AND COMMERCIAL
INTERESTS, PETROLEUM STORAGE COMPLEX.

I have the honour to place before you the above proposal for your honour's consideration.

2. The above proposal is considered vital for the furtherance of Government of Japan's (GOJ) strategic and commercial interests in Asian sub continent. It became quite clear during the recent Iraq-Kuwait dispute the need to have huge reserves of petroleum products outside the areas of potential conflicts to meet demands of the Japanese industries. If the said conflict had conflagrated the free flow of oil in the Persian Gulf would have curtailed, thus endangering the stability of Japanese economy.

3. I am of the view that GOJ should have a buffer stock of Petroleum for at least six (6) months. The quantity that should be reserved to meet the demands of the Japanese Industry, has to be determined by your government.

4. Your government have had cordial and historical relations with the Government and the people of Sri Lanka. I believe the Government of Sri Lanka (GOSL) would have no valid reason to decline, if such a request were to be made. As you are aware the GOSL has acceded to a request by the United States Government to lease land to set up a Voice of America (VOA) relay station, amidst reactions from her closest neighbour India. I firmly believe, GOSL having taken into consideration the changes in the New World Order and the economic prospects that could be reaped from such a massive venture, would not hesitate to give its approval.

MEMORANDUM

EXTENSION OF STRATEGIC AND COMMERCIAL INTERESTS OF THE GOVERNMENT OF JAPAN. PETROLEUM STORAGE COMPLEX. KIRINDA FISHERY HOBOUR PROJECT BEING CONSTRUCTED BY GOJ IN PARTICULAR

1. ENVIRONMENT

It is a statutory requirement in Sri Lanka that Environmental Impact Assessment report has to be submitted before any projects are implemented. There has been opposition to Coal Power plant, that was to be set up in Trincomalee that it would have adverse impact on Central Province. Tea plantations due to wind direction. The Government abandoned it due to pressure. Since the above proposal is not a refinery such arguments can not be sustained. Sea pollution is a matter of concern as Kirinda coastal area is exclusively for fisheries. If alternative income avenues are guaranteed and economic prospects and better livelihood for fishermen are proved this can well be overcome.

2. UNEMPLOYMENT

There are many prospective employment avenues for local skilled and unskilled people. Because of the magnitude of the project a considerable number of employment avenues could be generated.

3. SECURITY SITUATION

No major militant groups are operating in the area concerned. Although recent youth unrest has been particularly evident in the Southern province it has now been contained. It is highly unlikely that there will be a resurgence of violence in the foreseeable future. With potential generation of employment for youth in the area, any hostile activities towards project are ruled out.

Physical protection of equipment of property from external forces, would be a concern if this project were to be implemented. This fear could be allayed if Sri Lankan Defence Forces could be augmented/reinforced. This could be done by adding Air and Naval Reconnaissance/interceptor version of equipment. It would also be better if a separate unit be established to protect maritime boundaries. The setting up of Sri Lanka Coast Guard (SLCG) could be envisaged for Oil spill cleaning and Maritime fire fighting and rescue operations etc. If there is a serious threat due to change of World Order assistance could be sought from U.S. Naval facilities in Diego Garcia. If the threat is not towards Japan in particular it does mean U.S. Govt., properties such as VOA relay stations too is under a risk.

4. LEGISLATION

The Sri Lanka Government will have to amend many legislative enactments such as Sri Lanka Ports Authority Act, Merchant Shipping Act to give better legal protection. Sri Lanka Coast Guard Bill has to be passed in the parliament.

5. SRI LANKA'S EXTERNAL RELATIONS

There has been concern, particularly from India, over the presence of Israelis and the installations of VOA relay station. Hostile sentiments were apparent during the pre Cold War era. Since there is a patent shift of foreign policy of India, any direct or hostile intervention towards Sri Lanka over the construction of petroleum complex would be seen as a conflict between India and Japan.

6. IMPACT ON SRI LANKA'S ECONOMY

1. Infusion of money in to the country thus reducing the Balance of Trade disparity.
2. Employment avenues for considerable number of Sri Lankans.
3. Annual Land lease fee.
4. Dry Dock, Repair and Salvage facilities for Sri Lankan fleet.
5. Local resources and logistical facilities.
6. Expatriates will have to be employed. This will generate income of ailing Tourism Industry in Southern provinces.
7. Stronger relations with the Government of Japan.

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